



**Iowa
Telecommunications
Association**

***Notice of Ex Parte
Presentation***

May 17, 2011

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Portals II, Room TW-A325
Washington, DC 20554

Re: *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011)

Dear Ms. Dortch:

On May 18, 2011, I met with Chairman Genachowski and Michael Steffen during their field trip visit to Diller, Nebraska.

The purpose of this meeting was to discuss the impact of the proposed NPRM on Iowa rural rate-of-return incumbent local exchange carriers ("RLECs") and their customers.

During this meeting, I presented the attached study conducted by Kiesling Associates, LLC, a professional accounting firm. Kiesling Associates provides accounting and financial services for 108 rural local exchange carriers in Iowa, and the Kiesling Study analyzes consolidated rate of return for those 108 Iowa RLECs.

The Kiesling Study shows that the average rate of return for the consolidated operations (interstate and intrastate regulated operations, plus video and wireless operations) of the 108 Iowa RLECs was 2.63% in 2010. It also shows that 45 of the 108 Iowa RLECs in the Study realized a consolidated rate of return of less than 0% in 2010.

Consistent with the Commission's rules, this letter is being filed electronically with your office in the above captioned dockets. Please feel free to contact me if you have any questions.

Sincerely,

David C. Duncan
President, Iowa Telecommunications Association

cc:
Julius Genachowski
Michael Steffen

Analysis of Iowa Only Companies

	Regulated	Consolidated
	Operations Only	Operations
Companies	108	108
Average ROR	2.29%	2.63%
Have Negative ROR	43	45
Companies with Long-term Debt(Est.)		60
RUS Rate of Borrowing		3.14%
Annual return per \$100,000 investment	\$	2,630
Annual cost of financing per \$100,000		3,140

	Cashflow After Debt Service Payments	ROR
Effect of 10% decrease in interstate support per \$100,000 investment	\$ 1,118	1.72%
Effect of 20% decrease in interstate support per \$100,000 investment	\$ 209	0.81%
Effect of 30% decrease in interstate support per \$100,000 investment	\$ (699)	-0.10%

Analysis Notes

- The average ROR being earned by Iowa companies is on average less than the cost of borrowing, limiting the financing available to upgrade facilities.
- Access revenues have almost no direct operating costs. Any decrease in access revenues results in close to a dollar for dollar reduction in operating income.
- Loss of interstate support will impair ability to meet debt service requirements.

Iowa only information taken from database of telecom companies served by Kiesling Associates LLP, a regional CPA firm specializing in the communications industry.

Regulated operations include the stand-alone communications provider operating activities. Both interstate and intrastate revenues are included.

Consolidated operations include all operating activity of the company and subsidiaries including cable television, internet, and wireless.

Rate of Return(ROR) is operating income divided by net operating plant in service.

Rural Utilities Service(RUS) is based on published 10 year rates as of May 9, 2011.

Cashflow After Debt Service Payments assumes 50% of investment funded by long-term debt at a rate of 4.8%.